Lisney
COMMERCIAL REAL ESTATE

INDUSTRIAL REPORT

Q2 2024

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Despite good levels of demand, activity in the industrial market was a slower in Q2, continuing the trend experienced earlier in the year. This was particularly the case for mid to larger warehouses, greater than 3,000 sqm in size. Supply shortages persisted and construction activity was steady with developers predominantly focused on design-and-build projects.

33,800 sqm

Activity

20

No of Deals

9,000 sqm

Sale of Building 1, Damastown Industrial Park

Largest Letting

70%

Lettings

1,690 sqm

Average Lot Size

2.2%

Vacancy Rate

35%

North and Southwest each

Busiest Region

€140 psm

(€13.00 psf)

Prime Headline Rent

63,700 sqm

Under Construction

* Arrows represent quarterly trends unless otherwise stated.

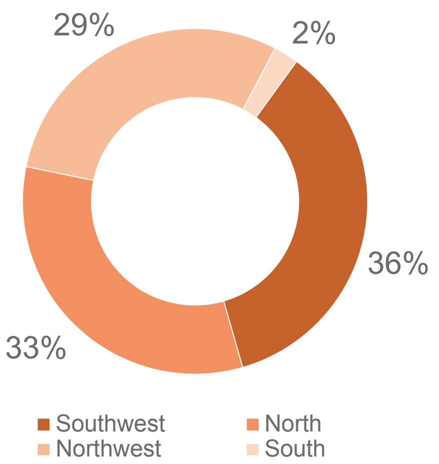
Activity

Activity levels in Dublin's industrial market in Q2 2024 reached 33,800 sqm across 20 deals, the lowest quarterly activity level since 2014

This followed on from 42,800 sqm of activity in Q1, bringing the total for H1 to 76,600 sqm. Analysis based on a quarterly take-up of 33,800 sqm highlights the following:

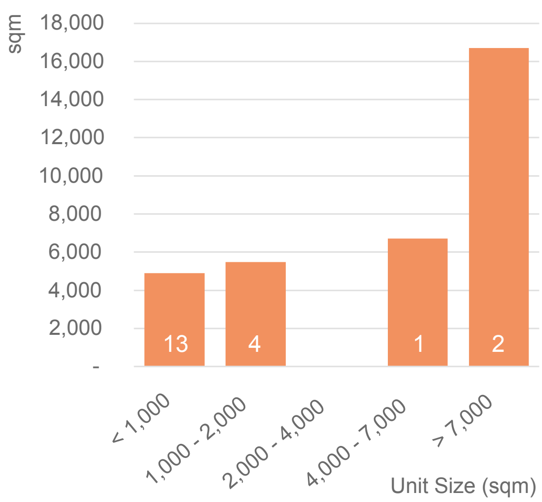
- The north and southwest regions were the busiest, each accounting for 35% of total Dublin take-up. This was followed by the northwest region at 25% with the remaining 5% of take-up was in the south region.
- The average lot size was 1,700 sqm, smaller than 2,380 sqm in the previous quarter and also falling short of the 2,200 sqm average achieved in Q2 2023.
- The greatest number of transactions (13) related to units with floor areas of less than 1,000 sqm, of which 10 were smaller than 500 sqm. The mid-size market was reasonably active in Q2 with four deals in the 1,000 to 2,000 sqm bracket. There were three deals concluded that were each larger than 4,000 sqm.
- Lettings continued to dominate the market accounting for 70% of all space transacted. There were three sales, one of which was the largest deal of the quarter.
- The top 10 deals combined made up 92% of the total activity, averaging 3,100 sqm. Eight of these were lettings. Seven of the top ten deals were more than 1,000 sqm with two deals in excess of 7,000 sqm. The largest deal accounted for 27% of the total quarter's activity.
- Five out of the top 10 deals were in the southwest region and combined accounted for 33% of the overall activity and 93% of the region's activity. Three deals in the top 10 were in the north region accounting for 30% of the total take-up and 91% of the region's activity. One deal in the top 10 was in the northwest region, which was the largest deal of the quarter, and one in the south region.

Take-Up by Region (Q2 2024)



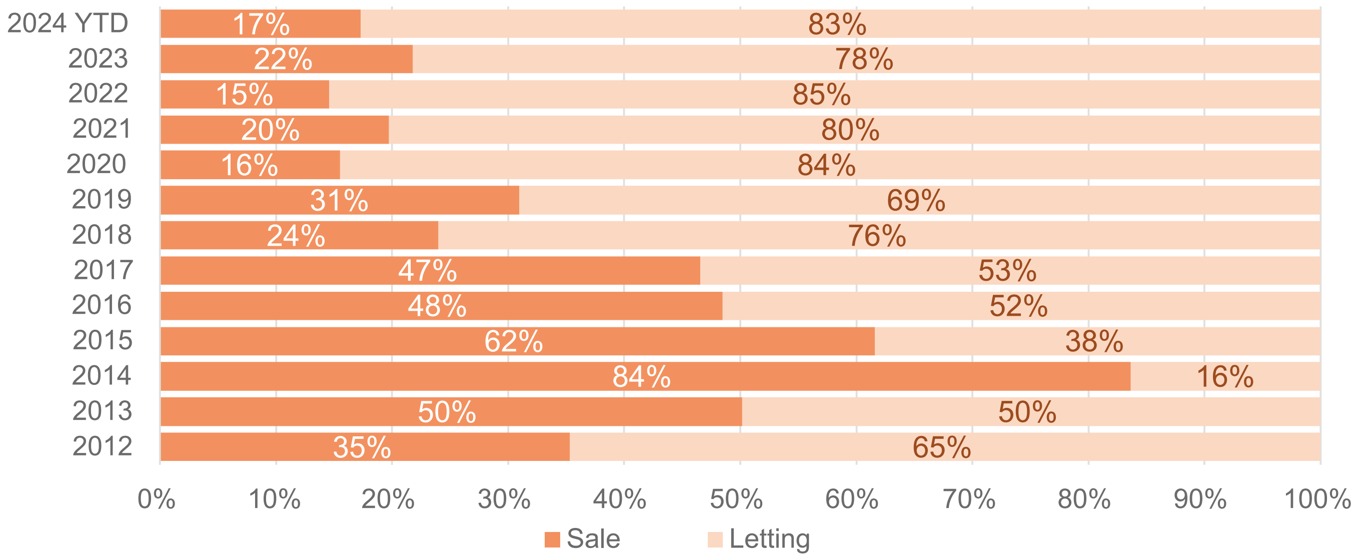
Source: Lisney

Take-Up by Deal Size (Q2 2024)



Source: Lisney

Annual Take-Up by Deal Type (2012 – 2024 YTD)



Source: Lisney

The largest transaction was the sale of Unit 1 in Damastown Business Park, Dublin 15 (9,000 sqm) where the existing tenant acquired the property. This was followed by the pre-let of design-and-build accommodation (7,650 sqm) at Unit 8 City North Business Campus. The building is due to commence construction shortly with completion expected in early 2025 and finished to an LEED Gold and BER A3 standard. Another notable transaction in Q2 included the letting of Uniphar House on Belgard Road, Dublin 24 (6,700 sqm).

The remaining two sales in Q2 included the disposal of 11 Jamestown Industrial Estate in Inchicore, Dublin 8 (835 sqm) and D7 Baldonnell Business Park on Naas Road in Dublin 22 (410 sqm).

Top 10 Transactions

PREMISES	SQM	REGION	DEAL TYPE
Building 1, Damastown Industrial Park, Dublin 15	9,000	Northwest	Sale
Unit 8 City North Business Campus, Stamullen, Co Meath	7,650	North	Letting
Uniphar House, Belgard Road, Dublin 24	6,700	Southwest	Letting
Units 5-8 Cookstown Industrial Estate, Tallaght, Dublin 24	1,680	Southwest	Letting
Warehouse 1, 21 First Avenue, Cookstown Industrial Estate, Tallaght, Dublin 24	1,400	Southwest	Letting
Unit M1, Furry Park Industrial Estate, Dublin 9	1,300	North	Letting
B3A Airport Business Park, Swords, Co Dublin	1,100	North	Letting
11 Jamestown Industrial Estate, Inchicore, Dublin 8	840	Southwest	Sale
Unit 3A Three Rock Road, Sandyford, Dublin 16	790	South	Letting
6 Kylemore Business Park, Kylemore Way, Dublin 8	550	Southwest	Letting

Source: Lisney

Supply

At the end of June 2024, Dublin industrial supply stood at 181,500 sqm, an increase of 13% in three months from 160,300 sqm. Despite the small increase in real terms (20,000 sqm), supply remains unsustainably low and represents a vacancy rate of approximately 2.2%. Since the start of the pandemic, the amount of space available has fallen by 44%. While there were variations across regions, by the end of Q1, all areas had a vacancy rate of 2.6% or below except the South region which had a vacancy rate of 4.4%. The southwest region had the lowest vacancy rate at 1.9%.

Options remain very limited for occupiers requiring larger-sized units with only two properties available that are more than 10,000 sqm in size, making up 11% of all supply in Dublin. As has been the case for the last few years, smaller units (less than 1,000 sqm) make up the bulk of supply, accounting for approximately 69% of all units available for occupation. However, most are dated in terms of specification. It is notable that UK industrial developer, Chancerygate (which entered the Irish market in 2022), has received planning permission for 14 units ranging in size from 330 sqm to 2,100 sqm (totalling 11,100 sqm) in Swords. This scheme, to be known as Airport Trade Park, will be the first multi-let, smaller unit scheme to be built since 2007 and is positive in terms of providing new, sustainable (LEED Gold), modern accommodation in the smaller size bracket.

DEMAND

While industrial market demand in Q2 2024 was healthy, it has lessened in recent months when compared to two to three years ago. Many businesses are delaying relocation or expansion decisions and are weighing the benefits of upgrading to a more efficient building versus remaining at their existing premises and benefiting from a lower rent. High-profile occupiers continued to seek good quality, modern space, however, many of the active requirements are 3PL contract-led and therefore they will not commit to long-term deals. Most of these occupiers require lease terms of less than 5 years.

JYSK, the Danish retailer which has expanded rapidly in Ireland in recent years, has chosen its preferred distribution hub location. Similar to Smyths Toys, who built a 50,000 sqm hub in Dundalk to help ease supply chain issues and service operations both in Ireland and the UK. This further emphasises the continued focus on securing supply chains post-Brexit. With the disruption caused over the pandemic and the continuing war in Ukraine, many retailers want to have stock available locally if required.

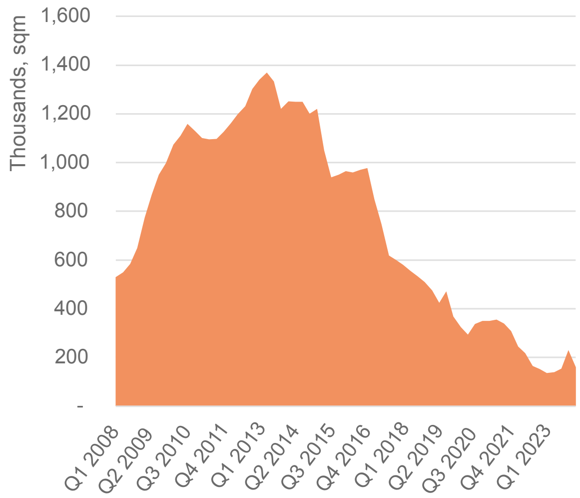
TERMS

Industrial / logistics rents remained steady in Q2 with the prime headline rent at €140 psm (€13.00 psf). For large new build units, most landlords continue to secure 15 to 20-year leases with break options at years 10 or 12, rent-free periods of 3 or 4 months and headline rents at €134 - €140 psm (€12.50 - €13.00 psf). Rents for smaller enterprise units of sub 1,500 sqm have also remained stable at €188 psm (€17.50 psf).

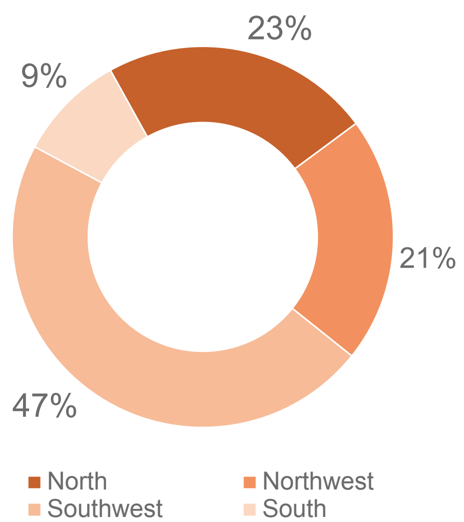
Lisney's index of industrial property rents in Dublin (prime and secondary buildings of varying sizes across the four regions) grew by 1.05% in 12 months to the end of June and no change in three months.

AVAILABLE	181,500 sqm
LARGEST SUPPLY	47% Southwest Region
LARGE UNITS (>10,000 SQM)	Only 2 available 11% of Supply
SMALL UNITS (<1,000 SQM)	≈ 90
VACANCY RATE	≈ 2.2%

Dublin Industrial Supply (Q1 2008 – Q2 2024)



Industrial Supply by Region (Q2 2024)

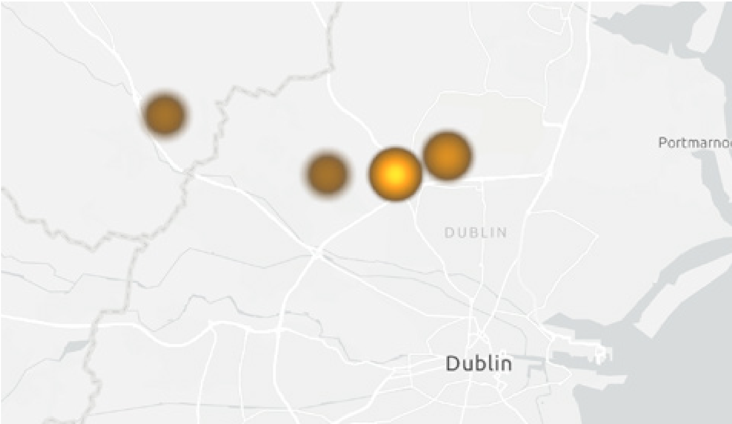


Source: Lisney

New Stock

In Q2, no new units were completed but approximately 63,700 sqm of accommodation remained under construction. 83% of this is in the northwest region and the remaining 17% in the adjoining north region. The average new building size is 8,000 sqm with eaves height at 12m across all but one building - Unit 735 Northwest Logistics Park in Ballycoolin, Dublin 15 will have an eaves height of 14.6m.

Under Construction Activity (End-June 2024)



Source: Lisney

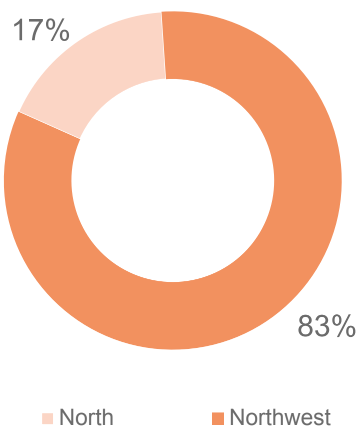
Most of the accommodation under construction is being speculatively built with just 6% of the total already taken, either as design-and-build or mid-construction. The proportion had been at 48% as recently as Q1 2023. That said, with elevated building costs and softening yields, developers continue to focus on achieving an agreement for lease or purchase to be signed before committing to any construction.

At the end of June, the largest building under construction was A03 Hub Logistics Park (12,700 sqm), which is being developed by Denis Coakley and is available to let. Construction is ongoing on two units in Horizon Logistics Park, totalling a combined 11,000 sqm; only one of these is still available. Construction works also continued on Erigo's development of Phase II of Vantage Business Park (close to the M2/M50 junction), where four buildings with a combined floor area of 35,000 sqm will be built and all of which are available to let. Park Developments commenced construction on 735 Northwest Logistics Park (5,300 sqm), which is also available to let and will benefit from a taller eaves height.

In terms of pipeline, approximately 250,000 sqm of industrial space had planning permission granted but had not yet started construction at the end of June 2024. 49% of this is in the north region with the remainder spread across the northwest (27%) and southwest (24%) regions. Additionally, Mountpark purchased 78 acres at Grange Castle Business Park in southwest Dublin with plans to develop a new scheme. These units will start at 6,500 sqm and will be available from Q1 2025 onwards.

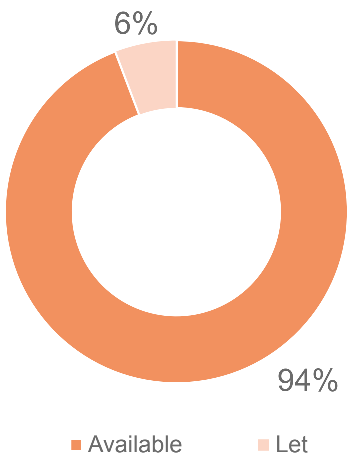
Under Construction	63,700 sqm
Regions	83% Northwest
	17% North
Largest Scheme Under Construction	12,700 sqm
	A03 Hub Logistics Park, Dublin 15
Average Unit Size	8,000 sqm
Design-&-Build / Taken Mid-Construction	6%

Accommodation Under Construction by Region (Q2 2024)



Source: Lisney

Accommodation Under Construction by Status (Q2 2024)



Source: Lisney

In Focus:
Artificial Intelligence In Manufacturing, Logistics & Supply Chain

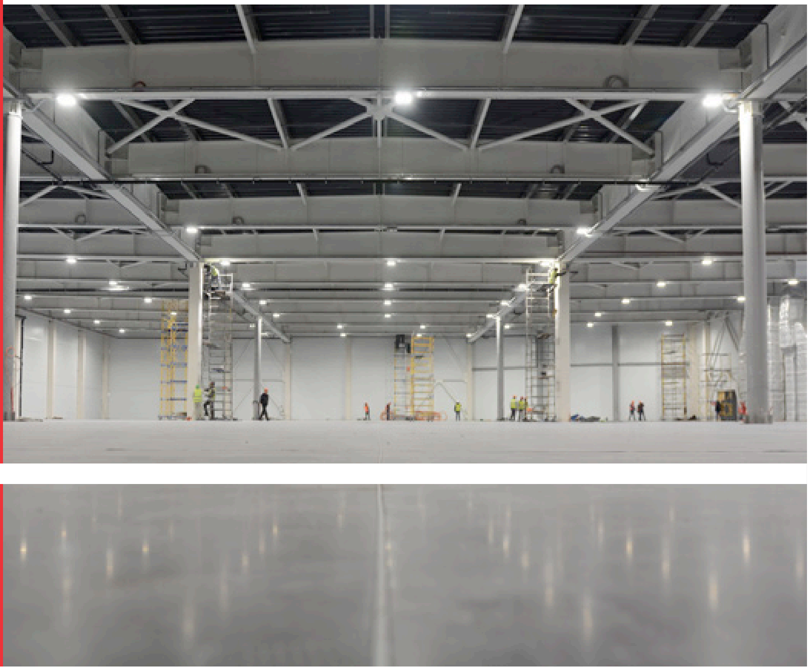
As part of an in-focus series over the coming quarters, Lisney will be reviewing some of the trends in AI as it relates to manufacturing, logistics and supply chain, and how it is transforming these industries by enhancing efficiency, accuracy and decision-making capabilities

This quarter we are looking at robotics in logistics. A logistics robot can be any autonomous device or system used to optimise safety, automate product flows, and increase efficiency in warehouse operations. Examples include automated storage and retrieval systems (robotic pickers) and automated guided vehicles.

Such AI brings with it greater efficiency and accuracy – picking and packaging are repetitive and time-consuming jobs prone to human error. Robots can complete the tasks with greater speed and accuracy. This can result in up to a 30% reduction in labour costs. The technology can also maximise warehouse space more efficiently, particularly by using more vertical space. They offer the potential for non-stop operations and also improves workplace safety by reducing the number of accidents and injuries at work.

The International Federation of Robotics (IFR) reported that in 2022, global industrial robot installation reached 553,000 units, a 5% increase from the previous year. Notably, much of this is in Asia where 73% of all newly deployed robots were installed. Europe and North America lag behind, accounting for just 15% and 10% respectively. There are significant opportunities for high-performance robots in logistics work in conjunction with intelligent control systems into the future. Robots will only grow in popularity in Ireland as retailers and 3PL companies continue to meet the demands of e-commerce within fulfilment centres, which will result in further changes to industrial buildings in Ireland into the future.

Demand will remain good in H2 2024, but it will be softer than in the last three and a half years and more in line with pre-pandemic times.



Outlook

Demand will remain good in H2 2024, but it will be softer than in the last three and a half years and more in line with pre-pandemic times. The lack of suitable supply may hold back transactions, and some occupiers will need to agree design-and-build deals with developers to get the quantity and specification of accommodation they require.

Despite the overall market shortages, the commencement of speculative new buildings will continue to be slow in the months ahead. This is due to the elevated cost of construction and finance, as well as softer investment yields. Consequently, it will be important for developers to have planning grants in place and be ready to move on-site quickly when required.

There is likely to be some minor rental growth in H2 2024, however the pace of this change will remain slower than that which was experienced between 2020 to 2023.

Throughout the remainder of 2024, owner-occupiers' interest in second-hand buildings should reemerge, particularly given the softening of yields for investors and inflated refurbishment costs.

Landlords will be focused on ESG factors relating to new and refurbished buildings, seeking LEED Gold and other certifications. This comes with an added cost, which will be passed on to the tenant. Given the large carbon footprint of the operations of logistics companies, some will be seeking to reduce the embodied carbon in their warehouses and may consider timberframe (glue laminated timber) premises instead of a steel frame. Green clauses are also becoming more common in leases as investors seek to make good on their ESG promises and meet EU and domestic policies, especially around finance.

In terms of existing older stock, landlords are actively seizing opportunities to improve the energy efficiency ratings of their buildings, particularly when they become vacant – a trend that will continue in the longer-term. The improvements typically include the installation of LED lighting systems, electric car charging stations and the integration of air source heat pumps. This not only contributes to reducing the environmental impact but also aligns with the growing demand for more sustainable resource-efficient industrial spaces.

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